

## **ACCESS LOANS**

Following the Credit Co-operatives Workshop on 9 November 1991, organised by a Steering Committee established by the Ministerial Advisory Committee on Co-operation (MACC), it was agreed to develop further a proposal put to the Workshop by Rob Nicholls, General Manager of the Victorian Credit Co-operative Association (VCCA).

The essence of the proposal is to encourage all credit unions to contribute a percentage of their reserves to a zero interest account managed by the VCCA. The interest earned on this account would be payable to credit unions offering "access loans" to subsidise the lost margin.

Details of the scheme are as follows:

- \* Credit unions open a special savings account with the VCCA at say 0.15% of their reserves as at their end of year. These funds are at call but credit unions would be asked to commit the funds for twelve months. On 1991 figures this would equate to around \$200,000 if all credit unions were involved.
- \* Credit unions would be encouraged to provide loans up to \$1000 for a maximum period of up to two years to members who are eligible. The notional rate for these loans would be 8% in terms of applying for a subsidy.
- \* Credit unions can apply for subsidies for the 6th and subsequent loans that they fund. The subsidy will be 8% of the loan funded for 12 months, a maximum of \$80.00 per loan per annum. This subsidy would be payable upfront in advance for the lost margin within a month of receipt of a claim.

## **ELIGIBILITY**

- \* People eligible for loans would be members in receipt of a Commonwealth Health Card. These are cards subject to stringent income and assets testings targeting the most disadvantaged groups in the community.

The cards are:

- \* The Pensioner Health Benefits (PHB) Card, which is provided to pensioners who meet the income and assets test.
- \* The Health Benefits Card (HBC), which is provided to people receiving Sickness Benefit.
- \* The Health Care Card (HCC), which is provided to people receiving either the Job Search Allowance or the Special Benefit, and to other low income earners who meet the income test.

Concessions are also provided on a non income-tested basis to War Widows, and veterans. This group forms a small proportion of the total target population of approximately 800,000 people.

- \* Applicants not in receipt of these cards could be considered by the credit unions on the basis of their individual circumstances which should, at a minimum, reflect low income or criteria similar to eligibility for a card.
- \* Each applicant for a loan would be assessed by the credit union in accordance with its own lending policy and interest rate structure. Funds lent would be from the individual credit union funds and be payable to a third party in respect of consumer merchandise or other emergency requirements acceptable to the credit union.

## **ADMINISTRATION**

- \* The VCCA would administer the fund at no cost to the fund.
- \* A committee comprising 5 representatives elected from participating credit unions, a nominee of MACC and the General manager of the VCCA or his nominee would oversee operations of the fund.

## **GOVERNMENT INVOLVEMENT**

Currently the Victorian government provides \$80,000 to four organisations for low cost lending, two of whom are credit co-operatives. These funds are mainly taken up in salary costs for administration of loans.

The administrative costs of low cost loans are a significant disincentive to credit unions.

It has been suggested that a submission be put to Government to seek funding to help defray administrative costs for these loans. This submission would seek funding additional to that already provided. It would be based on a ceiling of \$60,000 with an administration grant of \$60 per loan available. That is the first 1000 loans provided by credit unions in the Access loan program would attract a government grant of \$60.

#### **TIMELINE**

- \* Seek approval at MACC on Thursday 13 February 1992.
- \* Seek approval at VCCA Board on Tuesday 18 February 1992
- \* Submission to government by Friday 28 February 1992
- \* Promote to credit unions in March for 1992/93 Budget
- \* Commencement on 1 July 1992.